



## **REQUEST FOR PROPOSALS**

**RFP – Financial Audit Services**

### **CLOSING DATE AND TIME**

**4:00 PM local time, Friday July 29, 2011**

## **REGIONAL DISTRICT OF NANAIMO**

### **REQUEST FOR PROPOSALS**

### **FINANCIAL AUDIT SERVICES**

#### **Introduction**

The Regional District of Nanaimo invites qualified accounting firms to submit proposals to perform annual financial audits for both the Regional District of Nanaimo and the Nanaimo Regional Hospital District. Audits must be planned and executed in accordance with Canadian generally accepted auditing standards and the provisions of the Local Government Act and Community Charter. Audits will result in an opinion to the Regional District Board of Directors as to the fairness of the annual consolidated financial statements and related schedules of both organizations.

#### **Definitions**

Throughout this request for Proposal the following definitions apply:

“Auditor” means the successful Proponent to this Request for Proposal

“Audit services” means the financial audit of and resulting opinion on the annual consolidated financial statements of both the Regional District of Nanaimo and the Nanaimo Regional Hospital District

“Board” means the Regional District of Nanaimo Board of Directors

“RDN” or “Regional District” means the Regional District of Nanaimo

“NRHD” or “Hospital District” means the Nanaimo Regional Hospital District

“Proponent” means an accounting firm that submits a proposal in response to this Request for Proposal

“Proposal” means a submission in response to this Request for Proposal

“PSAB” means the Public Sector Accounting Board of Canada

“RFP” means Request for Proposal

“Services” means the works requested to be performed as per this RFP

### **TERM AND GENERAL CONDITIONS OF ENGAGEMENT**

#### **Term of Engagement**

It is the intention of the Regional District to enter into a five year agreement with the successful firm to provide external audit services beginning with the annual audit for the fiscal year ending December 31, 2011 to the fiscal year ending December 31, 2015 inclusive.

### **Acceptance of Proposals**

The Regional District of Nanaimo reserves the right to reject any and all Proposals for any reason or to accept any Proposal on the basis of Proposals received which the Regional District, in its sole unrestricted discretion, deems most advantageous to itself. The lowest or any Proposal may not necessarily be accepted. The Proponent acknowledges the Regional District's rights under this clause and absolutely waives any right of action against the Regional District for the Regional District's failure to accept its Proposal whether such right of action arises in contract, negligence, bad faith or any other cause of action. The acceptance of any Proposal is subject to funds being legally available to complete this transaction and/or approval by the Board of the Regional District or the Officer of the Regional District having authority to accept the proposal.

### **Awarding of Contract**

Notice in writing to the successful Proponent of the approval of its Proposal and the appointment of auditors by the Regional District of Nanaimo Board of Directors and the subsequent execution of an engagement letter and contract shall constitute the making of the Contract for Services.

### **Insurance**

The Auditor shall maintain professional liability insurance with respect to professional liability as required and specifically named for the Services, including errors and omissions, with a limit of not less than \$1,000,000 per occurrence with respect to the Services alone.

### **Registration with Workers' Compensation Board**

The Auditor will be registered with WorkSafe BC and maintain WorkSafe BC coverage for the duration of the engagement. The Auditor will abide by all provisions of the Workers Compensation Act of British Columbia and provide proof to the Regional District that all assessments have been paid.

### **Experience and Qualifications**

A Proponent must meet the following minimum requirements to be considered for evaluation pursuant to this RFP:

1. The assigned staff must hold a valid accounting designation and have previous experience in performing a municipal audit engagement.
2. Completed a municipal audit of similar size and scope within the last three years.
3. Demonstrate an understanding of legislation relevant to the local government environment.
4. Have sufficient staffing, facilities, financial resources and expertise to address the scope of the audit services.
5. Demonstrate a commitment to providing reasonable annual continuity of experienced and qualified personnel.

## **GENERAL INFORMATION**

### **Background Information**

The Regional District of Nanaimo was incorporated in 1967 and is located on the central east coast of Vancouver Island. Covering an area of 202,000 hectares, it stretches from a point south of the Nanaimo Airport in Cassidy to Deep Bay in the north, as far inland as Mount Arrowsmith (approximately 9 km from Port Alberni), and includes Gabriola and Mudge islands.

The area had a population of 138,631 people as per the 2006 census with approximately 26% living in rural areas. The Regional District is governed by a 17 member board including representation from the municipalities of Nanaimo, Parksville, Qualicum Beach, District of Lantzville and seven unincorporated electoral areas.

The Regional District currently has an annual operating budget of approximately \$107 million and provides services to residents through over 100 separate functions. The Regional District uses fund accounting rules to separately account for the assets, revenue and expenditures of each function. The Regional District organizes its functions into five general service areas:

- a. Corporate Services - administration, finance, electronic information, rural area fire response services, and regional library.
- b. Recreation and Parks Services – recreation facilities, regional parks and community parks in rural areas.
- c. Development Services – current and long range community planning, energy and sustainability, building inspection, bylaw enforcement and emergency planning.
- d. Regional and Community Utilities - wastewater management, sewer collection, water supply and street lighting.
- e. Transportation and Solid Waste Services – transit operations and planning, solid waste management, garbage collection and recycling services.

Individual functions are funded through a combination of property taxes, government grants and revenues derived from the sale of services.

The Regional District's financial activities are accounted for through a General Operating Fund, a Capital and Loan Fund and Reserve Funds.

The Hospital District financial activities are primarily capital project borrowing and repayment, and capital grants, with approximately 200 transactions annually. Hospital transactions are also accounted for through an Operating Fund, Capital Fund and Reserve Funds.

Audit firms who are considering a proposal pursuant to this request are encouraged to visit the Regional District's web site at [www.rdn.bc.ca](http://www.rdn.bc.ca) for a more detailed overview of the Regional District's characteristics and activities.

### **Financial Systems and Statistics**

The Regional District utilizes the Vadim iCity Enterprise version 2.0 financial software package as supplied and supported by Vadim Software. The software is run in a Windows 7 environment, using the MS SQL Server database management software on a Dell Poweredge 2830 server. The software is available on many of the Regional District's desktop computers up to a maximum of 50 concurrent users and includes modules for general ledger and financial reporting, budget, payroll, accounts receivable, utility billing, cash collection, and accounts payable. Tangible capital asset inventory and valuations are maintained in MS Excel spreadsheets.

Other computer systems used in revenue collection activities are:

1. Geoware Vehicle Processing software by PC Automation Inc. - records transactions at the solid waste collection sites in Nanaimo and Parksville.
2. Class Registration Software by Active Networks - records revenues from facility bookings, program registration and general admission at the Regional District's arena (Parksville) and swimming pool (Qualicum Beach).
3. CityView property database software is used for issuing, tracking and accounting for building and planning permit activities as well as its dog licensing module which is used for information purposes only.

Electronic data files are currently received and processed from the following databases:

1. CityView property database software is used to generate a daily journal voucher that is uploaded to the Vadim software General ledger module to record fees and charges received related to building and planning permits;
2. Transit scheduling software - payroll time sheet data (MS SQL Server database);
3. Bank preauthorized payments (debits) for utility customers (proprietary bank software);
4. Bank payment files for utility customers - consolidates payments made at the various banks or via the internet or telebanking (proprietary bank software);
5. Payroll direct deposit files for staff transferred biweekly; and
6. Sensus meter reading software - to upload water meter readings for billing purposes.

Statistics related to specific financial activities are:

1. Payroll - over 400 active employee records with a typical biweekly payroll of approximately \$500,000 containing about 370 payments
2. Utilities Receivable - over 16,000 active customer accounts with billings totaling approximately \$3,400,000 per year
  - 16,000 garbage, food waste and recycling customers billed annually;
  - 2,600 sewer customers billed annually; and
  - 2,625 water customers billed semi-annually.

(Note: Sewer and water customers are also included in the garbage and recycling customer totals.)

3. Other Receivables - transit ticket vendors, commercial landfill waste haulers, commercial septage haulers, other local governments and miscellaneous receivables. Total 'other' receivable billings approximate \$14,460,000 per year.
4. Accounts Payable - in 2010 processed over 14,680 invoices totaling approximately \$71,500,000.
5. General ledger - over 6,000 active ledger accounts.

## **SCOPE OF SERVICES**

### **Services**

The Auditor will be required to examine the financial records, systems and controls of the Regional District and the Regional Hospital District in accordance with Canadian generally accepted auditing standards and the provisions of the Local Government Act and Community Charter, and to then provide separate written audit reports with an audit opinion on the consolidated financial statements as prepared by Regional District staff for the Regional District and the Regional Hospital District. The Auditor's report should be suitable for printing within the financial statements and be addressed to the members of the Board of the Regional District of Nanaimo. The Auditor will be required to attend a meeting of the Board to present and explain as necessary the audit reports.

In addition, management letter(s) addressed to the Chief Administration Officer of the Regional District is(are) required every year outlining the results of the audit with any noted significant discrepancies or suggestions for improvement.

The Regional District does not have an audit committee. The Auditor will report audit findings to the General Manager, Finance and Information Services and/or the Manager, Financial Reporting during the course of the audit engagement.

The Auditor will ensure all new or changed reporting requirements and auditing standards are communicated to the Regional District, in writing, to ensure that financial statements and notes prepared by management are in compliance with current reporting requirements and auditing standards.

The Auditor will respond to and discuss with the Regional District's staff accounting, auditing, tax and other issues arising throughout the year. Inquiries, if any, are infrequent, usually brief and specific in nature, and may require a written confirmation. It is expected that such inquiries would be included in the fee schedule provided and would not incur additional billing or that Regional District staff would be advised of any additional charges prior to services being provided.

## **Annual Audit Schedule**

The following audit schedule will be required for each year of the agreement:

- |                                                                           |                                                  |
|---------------------------------------------------------------------------|--------------------------------------------------|
| • Pre audit meeting with staff                                            | Mid September                                    |
| • Audit plan and schedule                                                 | Early October                                    |
| • Interim Audit                                                           | October/November                                 |
| • Reconciliations and working papers completed by Regional District staff | 1 <sup>st</sup> week of March                    |
| • Year-end audit                                                          | 2 <sup>nd</sup> to 3 <sup>rd</sup> week of March |
| • Audit completed & Audit Report letters                                  | 3 <sup>rd</sup> week of April                    |
| • Management letter(s)                                                    | April 30 <sup>th</sup>                           |

Regional District staff will be responsible for the year-end close and financial statement preparation. Staff will assist the external auditors by preparing a full set of working papers, schedules, a trial balance and supporting documentation on a timely basis. The Regional District will create the final statements and will take responsibility for the production of the audit report in bound form. A copy of the 2010 audited financial statements can be obtained at the following website <http://www.rdn.bc.ca/cms.asp?wpID=771>.

Both the Regional District staff and the Auditor will be jointly responsible for the preparation and processing of all confirmation letters.

The Regional District's solicitors will provide annually a representation letter as required pursuant to the Canadian Bar Association and the Auditing Standards Committee of the CICA.

## **AUDIT PROPOSALS**

### **Proposal Requirements**

A covering letter shall be provided with the proposal clearly stating the accounting firm's understanding of the services to be provided. The letter must include the name(s) of the person(s) who will be authorized to make representations for the firm, their title(s) and telephone number(s). The person signing the covering letter must be authorized to bind the Proponent.

Proponents must respond to the items listed below in the order they are presented. The proposal should include a table of contents identifying the topics by page number.

Proposals, as a minimum, should include:

1. **Company Profile and Contact:** A brief profile of your firm (1 to 2 pages) indicating the scope of its practice, the range of activities performed by the firm such as auditing, tax service, accounting or management services. Identify the Proponent's contact person, phone number and email address. State the home office address as well as the address and phone number of any local office that will manage or assist in managing this audit. Identify the number of staff located locally.
2. **Experience with Municipal Audits:** List current and past public sector audit clients and indicate the number of years your firm has been the auditor for each client. Describe your familiarity and experience with PSAB accounting and auditing standards.

3. **Audit Staffing:** Name and brief resume of the partner(s), manager(s) and other key staff who would be assigned to this audit.
4. **Audit Implementation:** Proposals must clearly show the firm's understanding of the work to be performed, audit approach and commitment to perform the work within the time period specified in the annual schedule. This would include the approach to be used to gain an understanding of the Regional District's structure and systems as well as a proposed schedule and any specific techniques or processes to be used for the interim audit and annual audit.
5. **Other Services:** Description of the methodology to be used for keeping the Regional District abreast of any changes in accounting principles or legislation that would impact the annual financial statements.

Description of non-auditing professional services provided to other local government clients and innovative products offered by your firm as well as any specific pricing structure for such services.

6. **Fee Proposal:** Your firm's audit fee in the following format individually for the Regional District and Regional Hospital District:

<u>Staff Assigned</u>	<u>Hours</u>	<u>Rate</u>	<u>Fee</u>
Partners	xx	xxx	\$xxx
Managers	xx	xxx	xxx
Seniors	xx	xxx	xxx
Staff Support	xxx	xxx	xxx
Total Hours/Fees	xxx		xxx
Other Disbursements (identify)			<u>xxx</u>
Total Fixed Fee			<u>\$xxx</u>

The fee schedule should include an all-inclusive maximum cost for the requested work for each of the five years.

7. **Billing Dates:** The proposed schedule of billing dates.
8. **References:** Three references at least two of which must be municipal audits within the last three years. Include numbers of years of service to and a contact name, telephone number and email address for each reference.



### **Proposal Evaluation Criteria**

Proponents must meet the following mandatory requirements to be considered for further evaluation:

1. Proposal completed and signed by a person authorized to bind the Proponent to statements made in the submission.
2. Three duly signed copies of the Proposal submitted.
3. Proposal received at the closing location by the specified Closing date and time.

Proposals that comply with the mandatory requirements will be evaluated on the basis of the following criteria using the scoring matrix outlined in Appendix I:

1. Understanding of Engagement
2. Municipal Audits Experience
3. Audit Firm Personnel Qualifications and Experience
4. Audit Implementation
5. Additional Services
6. References
7. Audit Fee

Shortlisted firms may be required to attend a brief interview at the Regional District Administration Office. At a minimum, the audit partner and audit supervisor shall attend.

### **Submission of Proposals and Terms for Acceptance**

Three copies of the proposal must be submitted in a sealed envelope, clearly marked 'RFP for External Audit Services', by mail or in person, to:

General Manager, Finance and Information Services  
Administration Reception Desk  
Regional District of Nanaimo  
6300 Hammond Bay Road  
Nanaimo, B. C. V9T 6N2

Facsimile and electronic submissions will not be accepted.

Submissions will be received until **4:00 p.m. on July 29, 2011.**

Proposals received after the deadline will not be considered and will be returned to the sender unopened.

All proposals submitted will be irrevocable for ninety (90) days following the closing, subject only to the following:

- Notwithstanding the above, an accounting firm will be permitted to withdraw its proposal prior to the closing provided that it has first notified the RDN in writing of its intention to do so. A firm that has so withdrawn a proposal may submit a new proposal prior to the closing, pursuant to this request, provided that such action is done in compliance herewith.

Unless otherwise authorized in writing by the herein designated Regional District Officer, a Proponent must not contact or communicate with any elected or appointed officer or employee of the Regional District other than the designated employee in relation to the proposal prior to the award of such proposal by the Regional Board. Any such communication will result in disqualification of the proposal from further consideration.

### **Addenda**

Addenda may be issued during the Proposal period in response to queries received. Addenda will be sent in electronic format to all Proponents who have received RFP packages. All addenda must be considered and acknowledged when responding to this RFP. Verbal answers are binding only when confirmed by written addenda.

## **REGIONAL DISTRICT CONTACT AND DISCLAIMER**

### **Contact**

Any inquiries regarding this request for proposal should be directed to the designated Regional District Officer, Wendy Idema, Manager of Financial Reporting, at telephone number (250) 390-4111 or toll free at 1-877-607-4111, email: [widema@rdn.bc.ca](mailto:widema@rdn.bc.ca).

### **Disclaimer**

The information contained in this RFP is supplied solely as a guideline for Proponents and is not guaranteed or warranted by the RDN to be accurate, nor is it necessarily comprehensive or exhaustive.

Each Proponent is responsible to review and understand the terms and conditions of this RFP, and the Scope of Services being requested. The RDN will not be responsible for any loss, damage or expense incurred by a Proponent as a result of any inaccuracy or incompleteness in this RFP, or as a result of any misunderstanding or misinterpretation of the terms of this RFP on the part of the Proponent.

Further, the RDN is not liable for any costs incurred in the preparation of the proposals.

The Regional District of Nanaimo is subject to the provisions of *the Freedom of Information and Protection of Privacy Act*. As a result, while Section 20 of the Act does offer some protection for third party business interests, the Regional District cannot guarantee that any information provided to the Regional District can or will be held in confidence.

**APPENDIX I**

**PROPOSALS FOR**

**EXTERNAL AUDIT SERVICES**

**EVALUATION MATRIX**

**PROPONENT** \_\_\_\_\_

CRITERIA	MAXIMUM SCORE	FIRM'S SCORE	COMMENTS
<b>Mandatory Criteria</b> Cover letter completed and signed by person authorized to bind the Proponent to statements made in the submission. Sealed package containing three copies of the proposal. Proposal must be received at the closing location by the specified closing date and time.			
<b>Point-Rated Criteria</b>			
<b>1. Understanding of Engagement/Proposal</b> <ul style="list-style-type: none"> <li>Demonstration of full understanding of Regional District structure and governance</li> <li>Knowledge of information systems used by the Regional District</li> </ul>	5		
<b>2. Experience with Municipal Audits</b> <ul style="list-style-type: none"> <li>Municipal auditing experience</li> <li>Regional District auditing experience</li> </ul>	8		
<b>3. Personnel</b> <ul style="list-style-type: none"> <li>Technical experience of the firm in performing public sector audits and experience with organizations of a similar size and complexity.</li> <li>Experience and qualifications of audit team proposed for the Regional District's audit.</li> </ul>	10		
<b>4. Audit Implementation</b> <ul style="list-style-type: none"> <li>Statement of full understanding of the audit objectives and overall scope of work to be performed.</li> <li>Audit plan including number of person-hours anticipated to perform the services, broken down between interim and final audits for each of the two entities for the five years.</li> </ul>			

<ul style="list-style-type: none"> <li>• Approach used to gain an understanding of the Regional District and the Hospital District structure and operations.</li> <li>• Quality of the proposal in terms of methodology and approach to the audit, including a description of substantive and compliance testing, and internal control evaluation</li> <li>• Estimate of Regional District staff time required including a schedule outlining when required.</li> </ul>	22		
<b>5. Additional Services</b> <ul style="list-style-type: none"> <li>• Accounting firm's ability to provide additional services to the Regional District such as: <ul style="list-style-type: none"> <li>• PSAB advice</li> <li>• GFOA certificate assistance</li> <li>• GST/HST advice</li> <li>• General Income Tax Act Advice</li> </ul> </li> </ul>	5		
<b>6. References</b>	10		
<b>7. Audit Fee</b> The proposed fees for each entity for each of the five year term which are to be shown exclusive of HST and include: <ul style="list-style-type: none"> <li>• professional fees of audit and support staff based on person hours</li> <li>• estimated disbursements and administrative fees</li> <li>• value added services bundled with the audit service fees</li> </ul>	40		